

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JANUARY 28, 2011 BOARD MEETING**

BOARD MEMBERS PRESENT: Governor Jack Dalrymple, Chair
Mike Sandal, Vice Chair
Clarence Corneil, TFFR Board (Teleconference)
Levi Erdmann, PERS Board
Lance Gaebe, Land Dept. Commissioner
Mike Gessner, TFFR Board
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, Workforce Safety & Insurance
Bob Toso, TFFR Board

BOARD MEMBER ABSENT: Adam Hamm, Insurance Commissioner (Testimony HB1256)

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
John Geissinger, Executive Director/CIO
Bonnie Heit, Office Manager
Fay Kopp, Deputy Executive Director
Leslie Moszer, Compliance Officer
Susan Walcker, Investment Accountant

OTHERS PRESENT: Weldee Baetsch, former SIB trustee
Sparb Collins, PERS
Jeff Engleson, Land Dept.
Mike Hardy, State Bank and Trust
Bryan Klipfel, Workforce Safety & Insurance
Matt Sagsveen, Attorney General's Office
Lt. Governor Drew Wrigley

CALL TO ORDER:

Governor Dalrymple called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, January 28, 2011, at Workforce Safety & Insurance, 1600 E Century Ave, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

MR. ERDMANN MOVED AND MS. TERNES SECONDED TO APPROVE THE REVISED AGENDA.

AYES: MS. TERNES, MR. GAEBE, MR. GESSNER, MR. SAGE, GOVERNOR DALRYMPLE, MR. ERDMANN, MR. SANDAL, MR. TOSO, MR. CORNEIL, AND TREASURER SCHMIDT

NAYS: NONE

ABSENT: COMMISSIONER HAMM

MOTION CARRIED

MINUTES:

MR. GESSNER MOVED AND MR. GAEBE SECONDED TO APPROVE THE DECEMBER 15, 2010 MINUTES.

AYES: MR. GESSNER, MR. GAEBE, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. TOSO, MR. CORNEIL, MR. ERDMANN, GOVERNOR DALRYMPLE, AND MR. SANDAL

NAYS: NONE

ABSENT: COMMISSIONER HAMM

MOTION CARRIED

BOARD EDUCATION:

Risk Management - Mr. John Geissinger, Executive Director, presented an educational segment on Introduction to Risk Management.

A copy of the presentation is on file at the Retirement and Investment Office (RIO).

GOVERNANCE:

Legislation - Mr. Geissinger reviewed the following bills that affect the SIB.

SB 2302 - creates special SIB made up of six legislators and three elected state officials, to manage legacy fund and budget stabilization fund.

SB 2344 - adds six legislators to SIB, and removes two Teachers' Fund for Retirement (TFFR) and two Public Employees Retirement System (PERS) representatives.

SB 2343 - provides for a transfer from the permanent oil tax trust fund to the legacy fund.

SB 2312 - requires SIB to establish investment policy and asset allocation for the legacy fund, and invest at least 15% in ND projects and investments.

The Board discussed the legislation and board members are to provide their comments to Mr. Geissinger for coordination of testimony.

Governor Dalrymple appointed Lt. Governor Wrigley as his designee to the SIB. Governor Dalrymple stated he has enjoyed serving on the SIB. He also stated the SIB is a good board, everyone does a great job, and the board is structured very well.

The Board recessed at 10:20 a.m. and reconvened at 10:35 a.m. Mr. Sandal chaired the remainder of the meeting.

Governance Policy Changes - The SIB Policy Review Committee, Mr. Sandal, Chair, Treasurer Schmidt, Ms. Ternes, and Mr. Corneil (absent), met on December 15, 2010 to review the implementation of the recommendations from Clifton Gunderson as a result of the performance audit of RIO. All policy revisions and supporting documentation are on file at RIO. The Policy Committee, at this time, submitted the following recommendations for the Board's consideration and approval.

Recommendation #1 - Enhance the Executive Limitations Policy pertaining to conflict of interest.

TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO APPROVE THE POLICY CHANGES ASSOCIATED WITH RECOMMENDATION #1.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. GAEBE, MR. TOSO, LT. GOVERNOR WRIGLEY, AND MR. ERDMANN

NAYS: NONE

ABSENT: COMMISSIONER HAMM

MOTION CARRIED

Recommendation #6 - Develop a Strategic Plan to provide direction and goals for RIO.

TREASURER SCHMIDT MOVED AND MR. SAGE SECONDED TO DIRECT THE EXECUTIVE DIRECTOR TO DEVELOP A STRATEGIC PLAN FOR RIO.

AYES: TREASURER SCHMIDT, LT. GOVERNOR WRIGLEY, MS. TERNES, MR. GAEBE, MR. SAGE, MR. TOSO, MR. SANDAL, MR. ERDMANN, AND MR GESSNER

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

Recommendation #8 - Implement a formal valuation policy for all assets.

MR. GESSNER MOVED AND MR. ERDMANN SECONDED TO APPROVE THE POLICY CHANGES ASSOCIATED WITH RECOMMENDATION #8.

AYES: MR. SAGE, MR. SANDAL, MR. GESSNER, MR. TOSO, MR. ERDMANN, MS. TERNES, MR. GAEBE, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

Recommendation #9 - Develop compliance and monitoring procedures which include requesting external asset managers provide compliance reports on a monthly basis, maintaining a log of compliance related issues, and developing recommendations for subsequent actions.

TREASURER SCHMIDT MOVED AND MR. GAEBE SECONDED TO APPROVE THE POLICY CHANGES ASSOCIATED WITH RECOMMENDATION #9.

AYES: MR. ERDMANN, TREASURER SCHMIDT, MR. GAEBE, MR. TOSO, LT. GOVERNOR WRIGLEY, MR. SANDAL, MR. GESSNER, MR. SAGE, AND MS. TERNES

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

MONITORING - QTR ENDING 12/31/2010:

Executive Limitations/Staff Relations - TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO APPROVE THE REPORT.

AYES: MS. TERNES, MR. GAEBE, MR. GESSNER, MR. SAGE, LT. GOVERNOR WRIGLEY, MR. ERDMANN, MR. SANDAL, MR. TOSO, AND TREASURER SCHMIDT

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

Budget/Financial Condition - TREASURER SCHMIDT MOVED AND MR. GESSNER SECONDED TO APPROVE THE REPORT.

AYES: MR. GESSNER, MR. GAEBE, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. TOSO, MR. ERDMANN, LT. GOVERNOR DALRYMPLE, AND MR. SANDAL

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

Retirement Report - MR. TOSO MOVED AND MS. TERNES SECONDED TO APPROVE THE REPORT.

AYES: MR. GESSNER, MR. SANDAL, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. GAEBE, MR. TOSO, LT. GOVERNOR WRIGLEY, AND MR. ERDMANN

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

Investment Report - MS. TERNES MOVED AND MR. TOSO SECONDED TO APPROVE THE REPORT.

AYES: TREASURER SCHMIDT, LT. GOVERNOR WRIGLEY, MS. TERNES, MR. GAEBE, MR. SAGE, MR. TOSO, MR. SANDAL, MR. ERDMANN, AND MR. GESSNER

NAYS: NONE

ABSENT: MR. CORNEIL, COMMISSIONER HAMM

MOTION CARRIED

OTHER:

Mr. Geissinger updated the board on WG Trading. The receiver has notified each of the parties involved the formula for distribution of the proceeds. Mr. Geissinger is questioning their rationale in that it does not reflect the SIB's position as a long term investor. Mr. Geissinger will continue negotiations and keep the board informed of such.

Treasurer Schmidt informed the Board the Dodd-Frank bill was recently passed relating to the Consumer Finance Protection Act. In that act, the Securities and Exchange Commission (SEC) has determined that any person who serves on a fiscal board relative to pension, townships, cities, school boards, etc. would have to be registered with the SEC as an investment board advisor. The State Treasurer's Association is opposed to this ruling and will be submitting their concerns. Treasurer Schmidt will also be in contact with the Governor's Office legal staff asking the State of North Dakota to also take a position.

She also informed the board the Governmental Accounting Standards Board (GASB) has issued new reporting requirements relating to income out/in for pension

systems. Treasurer Schmidt will keep the board informed of this requirement and how it will affect the reporting and information relating to North Dakota's pension systems.

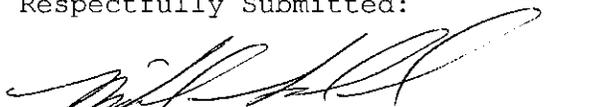
The next SIB meeting is scheduled for February 25, 2011 at 8:30 a.m. at Workforce Safety & Insurance, 1600 E. Century Avenue, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for February 25, 2011, at 1:00 p.m. at Workforce Safety & Insurance, 1600 E. Century Avenue, Bismarck, ND.

ADJOURNMENT:

Mr. Sandal adjourned the meeting at 11:40 a.m.

Respectfully Submitted:



Mr. Sandal, Vice Chair
State Investment Board



Bonnie Heit
Secretary to the Board

